

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

PERIODIC REPORTING
(PROPOSAL ONE)

Docket No. RM2018-4

REPLY COMMENTS OF THE UNITED STATES POSTAL SERVICE
REGARDING PROPOSAL ONE
(June 19, 2018)

Commission Order No. 4610 (May 22, 2018) provided notice of the initiation of this proceeding to consider Proposal One, set a deadline for initial comments of June 13, and set a deadline of June 20 for reply comments. The only initial comments submitted were those of the Public Representative (PR), filed on June 12, 2018. As best can be determined, the Public Representative never advances any ultimate recommendation on approval or rejection of Proposal One, but merely offers opinions and arguments on selected topics. As appropriate, the Postal Service hereby offers the following reply comments. Whether addressed in these brief reply comments or not, nothing raised by the Public Representative should deter the Commission from approval of Proposal One.

On the topic of unit costs, the PR Comments fundamentally misconstrue the Postal Service's intent, alleging that on page 5 of its Proposal, the Postal Service estimates "the impact on unit costs of products delivered by rural carriers." PR Comments at 3. Neither on page 5 nor anywhere else, however, does the Postal Service purport to estimate the effect on unit costs specifically of those pieces delivered by rural carriers. Rather, the Postal Service intends to present the estimated impact of

the proposal on the overall unit costs of the various products, with no attempt to isolate the change (on a delivered-piece unit basis) on the costs of rural delivery. As confirmed by the Postal Service's earlier statement quoted on page 5 of the PR Comments, achieving that actual intent requires dividing the estimated impact on total costs for each product (including piggyback effects in cost segments beyond Rural Carrier Cost Segment 10) by the RPW volumes of that product.¹ Consequently, the observation on page 5 of the PR Comments that unit *delivery* costs are not presented in the CRA documentation "at all" merely confirms that no such estimation is necessary to evaluate the impact of Proposal One, rather than implying (as is erroneously also claimed on page 5) that the Proposal One unit cost impact presentation "is not accurate." In any event, the entire discussion is of dubious relevance, as the PR Comments concede on page 7 that the unit cost impact of Proposal One is minimal no matter how it is computed.

The PR Comments also assert (at page 8) that the Postal Service can generate estimated CVs for the proposed methodology "easily" and "with only a minimal amount of additional work." However, there are some differences in the estimation methodology that have yet to be accommodated by the program that estimates CVs, such as the difference in the methodology for First-Class cards, and the integration of the CCCS-Digital strata with the non-digital strata. Furthermore, Digital data are not available for the entire FY2017, so performance of a direct comparison with the CVs provided in the

¹ This in effect matches the procedure routinely employed in the CRA (e.g., USPS-FY17-1), in which the unit attributable costs displayed in column L in each product row in the Cost tab reflect the total attributable costs in column F in the same row, divided by the corresponding RPW volume appearing in the same row in column D of the Volume tab.

FY2017 ACR is not possible. Nevertheless, because the sample sizes using Digital image data are so much larger than in the current system, there is no question that the CVs will be correspondingly reduced.² Moreover, this situation is not unprecedented, as CV estimation procedures for CCCS had similarly not been finalized prior to approval of Proposal Nine last year. The current lack of annual CV estimates identified by the Public Representative constitutes no valid basis to challenge approval of Proposal One.³

Consistent with the recent approval of Proposal Nine regarding CCCS in Docket No. RM2017-13, the Postal Service respectfully requests approval of Proposal One regarding RCCS, notwithstanding the comments submitted by the Public Representative.

Respectfully submitted,

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² As mentioned in the Proposal, at 4, the number of mailpieces sampled will increase by 450 percent.

³ The Public Representative on page 8 also expresses concern that “the reduction in the distribution keys for First Class Presort Letters and Marketing Mail Letters is mostly compensated by an increase in the distribution key for Marketing Mail, High Density and Saturation Letters,” but given the simultaneous admission that the changes are “very minor,” the Postal Service’s sees no basis for concern with respect to that observation, which was largely also applicable to Proposal Nine as well.